सत्यमेव जयते

Report
on
Effect of Economic Slowdown on Employment in India

(April – June 2009)

Government of India
Ministry of Labour & Employment
Labour Bureau
Chandigarh
July 2009

Acknowledgement

I, sincerely thank the Secretary, Ministry of Labour & Employment, Government of India for entrusting the important task of conducting Quarterly surveys on effect of economic slowdown on employment in India, to the Labour Bureau. We conducted the first such National survey for the quarter October-December, 2008, though on a small sample basis, during January, 2009 and submitted report within a period of one month.

The second survey was conducted in April, 2009 for the period Jan-March, 2009 and the report submitted in mid of May, 2009. Present quick employment survey which is third in the series covers the period April-June, 2009 is a revisit to the units covered during the second quarterly survey conducted in April, 2009. I appreciate the wholehearted efforts of the staff of Labour Bureau towards collection of data and preparation of the report in such a short time.

I am thankful to the Labour & Employment Adviser and Statistical Advisor of the Ministry in guiding us. I am also grateful to the State Labour authorities for the wholehearted support and co-operation extended in making this survey successful.

Dr. K.S.R.V.S Chalam
Director General

Place: Chandigarh
Date: 31.07.2009

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Executive Summary

- *The current third "quick Employment Survey" is a revisit to the units covered in the second quarterly survey to assess the direction of change in employment during April-June, 2009 over March, 2009.*
- *During the survey, 3,003 units are covered in 21 centres spread across eleven states.*
- *In the current survey eight sectors viz. Textiles, Metals, Leather, Automobiles, Gems & Jewellery, Transport, IT/BPO and Handloom/Powerloom are covered.*
- *At overall level, the employment has declined by 1.3 lakh during April-June, 2009 over March, 2009.*
- *The most affected sectors are the export oriented units especially in Textiles and Gems & Jewellery.*
- *In the non-exporting units, the employment has in fact increased slightly during the period under study.*
- *The results reveal that in Metals & Automobiles sectors, the units are offering more jobs to contract workers.*

Chapter-I

Introduction

1.1 World economy has been passing through a rough weather. Many of the developed and developing countries are facing the wrath of economic slowdown. The Gross Domestic Product (GDP) growth is declining, trade has come down and there is widespread retrenchment of workers all over the world. To mitigate the adverse impact of this wide spread economic slowdown, various measures are taken world over. But the impact of slowdown is so wide and deep rooted, that it will take some time to recover.

1.2 One of the yardsticks to measure the impact of slowdown is the decline in employment. In developed countries like United States and United Kingdom, employment and unemployment data are released at regular intervals. This helps in measuring the impact of economic policy on employment so as to take appropriate measures. However, in India such frequent and timely data on employment and unemployment are not available.

1.3 In this backdrop, Labour Bureau has been conducting a series of quarterly "Quick Employment Surveys" to study the impact of economic slowdown on employment in India. The scope of these surveys is limited to the sectors understood to have been badly affected by the slowdown.

1.4 The first quarterly survey was conducted in the month of January, 2009 to study the impact during the quarter Oct-Dec, 2008. The findings of the survey were released in the last week of January, 2009. In this survey seven important sectors of the economy viz. Textiles, Metals, Automobiles, Gems & Jewellery, Transport, IT/BPO and Mining were covered.

1.5 The second quarterly survey was conducted in the month of April, 2009 to study the impact during the quarter Jan-Mar, 2009. The detailed report of the survey was released in the mid of May, 2009. During this survey two additional sectors namely Leather and Handloom/Power loom were covered whereas the mining sector covered during the first survey was excluded.

1.6 In the first quarterly survey a sample of 2,581 units was covered at 20 centres covering eleven States/UTs. In the second quarterly survey, the updated frame obtained from NSSO was used to draw a fresh sample. A total of 3,192 units from 21 centres spread over eleven States/UTs were covered during the second survey.

1.7 The current quarterly survey, which is third in the series, was conducted in July, 2009 to study the employment trends during the period April-June, 2009. During this survey the units covered in the second survey have been revisited. In addition to the information on employment, the present survey also attempts to capture the changes in wages/salaries of workers in the sectors studied.

1.8 As stated earlier, the sample units which were covered in the second survey are revisited in the current survey. Therefore, no new fresh sample was drawn and the sampling design, estimation procedure and the number of centres/States/UT are same as in the second survey. It may be mentioned that during the second quarterly survey a two stage stratified sampling technique was adopted. The first stage units-districts/centres were selected using purposive sampling and the second stage units, the establishments were selected using circular systematic sampling. In the current survey all the units covered in April, 2009 (i.e. 3,192) were revisited, out of which 3,003 units provided the information. The rest 189 units could not be covered because of non-cooperation, non-contact with the owner etc. Sector wise units covered in the second quarterly survey and in the current survey are as under.

Table 1: Sector-wise number of units covered

Sl.No.	Industry/Group	Number of units covered in the second survey (April, 2009)	Number of units covered by revisiting in the current survey (July, 2009)
1	Textiles including Apparel	1,224	1,112
2	Metals	889	858
3	Leather	182	177
4	Automobiles	160	153
5	Gems & Jewellery	240	225
6	Transport	88	87
7	IT-BPO	278	267
8	Handloom/Powerloom	131	124
Overall		**3,192**	**3,003**

1.9 The schedule used to collect information from the sample units is at Annexure-I.

Chapter-II

Analysis of Employment & Earnings Trends

2.1 The present quarterly report, third in the series, covers the period April-June, 2009. As mentioned earlier, in the present survey the sample units covered during the second quarter (Jan-March, 2009) have been revisited to assess the direction and rate of change in the employment during April-June, 2009 in relation to March, 2009. Table 2.1 presents sector-wise changes in the estimated employment at various reference periods as compared to March, 2009.

Table 2.1: Changes in Estimated Employment during April-June, over March, 2009

(In lakh)

Sl. No.	Industry/Group	April, 2009	Apr-May, 2009	Apr-June, 2009
1	Textiles	-0.09	-1.92	-1.54
2	Leather	0.05	0.28	0.07
3	Metals	0.01	-0.09	-0.01
4	Automobiles	0.01	0.07	0.23
5	Gems & Jewellery	-0.28	-0.27	-0.20
6	Transport	-0.02	-0.03	-0.01
7	IT/BPO	-0.28	-0.34	-0.34
8	Handloom/Powerloom	0.23	0.34	0.49
Overall (cumulative)		**-0.38**	**-1.95**	**-1.31**

2.2 It may be observed from the above table that the employment has declined during the quarter April-June. During the month of May, the estimated employment declined by 1.57 lakh whereas in the month of April the decline was 0.38 lakh. However, there is slight increase in the employment (0.64 lakh) during June, thus showing an overall decline of 1.31 lakh during this period. The maximum decline in employment is seen in Textiles sector where it has declined by 1.54 lakh during April-June over March, 2009. Other sectors experiencing low/insignificant decline in employment are Gems & Jewellery, IT/BPO, Metals and Transport. In Leather, Automobiles and Handloom/Powerloom sectors there is slight increase in employment during the quarter April-June over March, 2009. Decline in employment during the months of April and May period may be attributed to seasonality. Personal interaction by our officers with some Textiles and Gems & Jewellery establishments has revealed that shortage of workers during the period is experienced by them every year. According to them, the migrant workers prefer to visit their place of origin during this period, resulting in their decreased availability.

2.3 The average monthly percentage change in employment in different periods compared to March, 2009 is given below in Table 2.2.

Table 2.2: Average Monthly Percentage Change in Employment during April-June over March, 2009 (in %)

Sl. No.	Industry/Group	April, 2009	Apr-May, 2009	Apr-June, 2009
1	Textiles	-0.11	-1.18	-0.63
2	Leather	1.34	3.93	0.62
3	Metals	-0.07	-0.29	-0.03
4	Automobiles	0.10	0.59	1.24
5	Gems & Jewellery	-6.80	-3.26	-1.65
6	Transport	-0.65	-0.42	-0.09
7	IT/BPO	-0.86	-0.51	-0.34
8	Handloom/Powerloom	3.26	2.38	2.29
	Overall	**-0.25**	**-0.64**	**-0.29**

2.4 It may be observed that at overall level, the employment during the quarter April-June has declined by 0.29 per cent. The results further indicate that in absolute terms the decline in employment in Gems & Jewellery sector during April-June over March, 2009 is only 0.20 lakh whereas in percentage terms the average monthly decline in employment is maximum in this sector (1.65 per cent). In Textiles and IT/BPO sector the average monthly decline in employment during the period April-June over March, 2009 is at 0.63 per cent and 0.34 per cent respectively. The Automobiles sector shows a steady increase in average monthly employment over different periods under study.

2.5 The employment in a unit is divided into two broad categories viz. direct workers and contract workers. The category of direct workers includes permanent, temporary and casual workers employed directly by the unit or its owner. Contract workers on the other hand are hired to perform specific functions through a contractor for a defined period of time. It is generally believed that the units prefer to replace direct category of workers with the contract workers over a period of time as the contracts can be terminated or not renewed depending on the production or requirement. But in short-run, when there is a decrease in demand, it is expected that the units would terminate contractual workers first as terminating the direct workers would be more cumbersome. However, results of the present survey indicate that the employment in direct category has declined whereas the employment of contract workers has gone up. This implies that direct workers have large proportion of casual and temporary employees. The sector-wise changes in employment of direct workers and contract workers in the period April-June over March, 2009 in absolute terms are presented below in Table 2.3.

Table 2.3: Change in Employment of Direct and Contract workers during April-June over March, 2009 (in lakh)

Sl. No.	Industry/Group	April-June, 2009	
		Direct	Contract
1	Textiles	-1.52	-0.02
2	Leather	0.04	0.02
3	Metals	-0.26	0.25
4	Automobiles	0.06	0.17
5	Gems & Jewellery	-0.21	0.01
6	Transport	-0.02	0.01
7	IT/BPO	-0.38	0.04
8	Handloom/Powerloom	0.57	-0.08
Overall		**-1.71**	**0.40**

2.6 It may be seen from table 2.3 that the employment of direct workers has declined by 1.7 lakh during the period April-June over March, 2009. Such decline is observed in Textiles, Metals, Gems & Jewellery, Transport and IT/BPO sectors. It may be further observed that in Metals sector, the decline in employment of direct workers is associated with increase in employment of contract workers during the same period. It implies that the sector is offering more jobs to contract workers. Similarly in Automobiles sector, the overall increase in employment during the period April-June over March, 2009 is estimated at 0.23 lakh, in which only 0.06 lakh are direct workers and rest contract workers. The survey results reveal that contract workers are increasing steadily. At overall level 0.40 lakh contract workers have added during the period April-June over March, 2009.

2.7 It may be seen from the above table that except in Textiles and Handloom/Powerloom sectors, the employment of contract workers has increased in all the others six sectors during the period April-June over March, 2009. The significant increase is in Metals and Automobiles sectors where the contract workers have respectively increased by 0.25 lakh and 0.17 lakh during the period April-June over March, 2009.

2.8 In the first quarter (Oct-Dec, 2008) survey results, it was established that the units which have exposure to exports are the most affected. In the second quarter (Jan-Mar, 2009) report there was some improvement in the declining trends of employment in the exporting units. The current survey results which are based on revisit to the units covered during April, 2009, establishes that the employment in the exporting units have declined considerably. The sector-wise changes in employment of exporting units in absolute terms are presented below in Table 2.4.

Table 2.4: Change in Employment of exporting units over March, 2009 (in lakh)

Sl. No.	Industry/Group	April, 2009	Apr-May, 2009	Apr-June, 2009
1	Textiles	-0.87	-1.26	-1.52
2	Leather	0.01	0.19	-0.04
3	Metals	0.05	0.01	-0.01
4	Automobiles	0.00	0.01	0.05
5	Gems & Jewellery	-0.26	-0.27	-0.23
6	Transport	-	-	-
7	IT/BPO	-0.24	-0.33	-0.48
8	Handloom/Powerloom	0.25	0.35	0.57
Overall		**-1.07**	**-1.29**	**-1.67**

2.9 It may be seen from the above table that at overall level the employment in exporting units has declined by 1.7 lakh during the period April-June over March, 2009. In Textiles sector which is prominent in terms of employment opportunities in the Indian economy, almost all the employment decline in this sector is accounted by the exporting units. The demand factors might have reinforced the seasonality. Out of 1.54 lakh decline in employment in the Textiles sector during the period April-June over March, 2009, 1.52 lakh decline is in the exporting units. Similarly in case of Gems & Jewellery sector also, almost all the jobs lost are in the exporting units. However, in Handloom/Powerloom sector export units 0.57 lakh jobs have been added during the period April-June over March, 2009.

2.10 The average monthly change in employment of exporting units in percentage terms are given below in Table 2.5.

Table 2.5: Average Monthly Change in Employment of exporting units over March, 2009 (in %)

Sl. No.	Industry/Group	April, 2009	Apr-May, 2009	Apr-June, 2009
1	Textiles	-2.56	-1.86	-1.50
2	Leather	0.44	3.44	-0.46
3	Metals	0.89	0.12	-0.06
4	Automobiles	0.11	0.46	1.28
5	Gems & Jewellery	-9.85	-4.95	-2.90
6	Transport	-	-	-
7	IT/BPO	-1.03	-0.69	-0.68
8	Handloom/Powerloom	7.20	5.16	5.55
Overall		**-1.47**	**-0.88**	**-0.76**

2.11 The survey results reveal that the average monthly decline in employment of exporting units at overall level during the period April-June over March, 2009 is 0.76 per cent. The significant declining trend is seen in Gems & Jewellery sector where the decline is 2.90 per cent, followed by Textiles sector (1.50 per cent) and IT/BPO sector (0.68 per cent).

2.12 In contrast to the exporting units, wherein employment has declined, the non-exporting units having domestic market for their products are able to generate additional employment during the period April-June over March, 2009. At overall level employment in the non-exporting units has increased by 0.35 lakh during the period April-June over March, 2009. The sector-wise changes in employment of non-exporting units in absolute terms are presented in Table 2.6.

Table 2.6: Change in Employment of non-exporting units over March, 2009 (in lakh)

Sl. No.	Industry/Group	April, 2009	Apr-May, 2009	Apr-June, 2009
1	Textiles	0.78	-0.66	-0.02
2	Leather	0.04	0.09	0.10
3	Metals	-0.04	-0.10	0.00
4	Automobiles	0.00	0.06	0.18
5	Gems & Jewellery	-0.01	0.00	0.03
6	Transport	-0.02	-0.03	-0.01
7	IT/BPO	-0.04	-0.01	0.15
8	Handloom/Powerloom	-0.01	-0.01	-0.08
Overall		**0.69**	**-0.66**	**0.35**

2.13 Above table shows that the impact of economic slowdown on the units catering to domestic market is negligible and majority of the sectors have created additional jobs during the period April-June over March, 2009. The significant among them is the Automobiles sector where a maximum 0.18 lakh jobs are increased during the period April-June over March, 2009. Similarly, in IT/BPO sector 0.15 lakh jobs are created during the above period in the non-exporting units.

2.14 The average monthly percentage changes in employment of non-exporting units are presented below in Table 2.7. In percentage terms the average monthly increase in employment at overall level in the non-exporting units during the period April-June over March, 2009 is 0.14 per cent.

Table 2.7: Average Monthly Change in Employment Trends of non-exporting units from March, 2009 (in %)

Sl. No.	Industry/Group	April, 2009	Apr-May, 2009	Apr-June, 2009
1	Textiles	1.64	-0.70	-0.01
2	Leather	4.32	5.57	4.18
3	Metals	-0.37	-0.51	-0.01
4	Automobiles	0.10	0.62	1.23
5	Gems & Jewellery	-0.98	-0.02	0.74
6	Transport	-0.65	-0.42	-0.09
7	IT/BPO	-0.42	-0.06	0.52
8	Handloom/Powerloom	-0.37	-0.18	-0.71
Overall		**0.86**	**-0.41**	**0.14**

2.15 It may be further observed from the above table that significant increase in employment of non-exporting units in terms of percentage during April-June over March, 2009 is in Leather sector. The average monthly increase in employment of non-exporting units in leather sector is 4.18 per cent during the above stated period.

2.16 In addition to assess the impact of slowdown in terms of employment, information on the regular earnings of workers are also collected with a view to see whether these have been affected by the economic slowdown in the economy. It is generally believed that the economic slowdown adversely impacts the quality of employment, besides the quantity reflected by the decline in employment. The quality aspect is measured in terms of decrease in average earnings received by the workers. The regular earnings include regular wages or salaries, payment of allowances like dearness, overtime, house rent and production bonus etc. which are paid more or less regularly for each pay period. The sector-wise average monthly changes in earnings are presented below in Table 2.8.

Table 2.8: Average Monthly Changes in Earnings from March, 2009 (in %)

Sl. No.	Industry/Group	April, 2009	Apr-May, 2009	Apr-June, 2009
1	Textiles	-1.08	0.01	-1.10
2	Leather	-1.49	1.52	2.43
3	Metals	3.42	0.82	2.39
4	Automobiles	15.90	6.77	5.36
5	Gems & Jewellery	7.17	2.49	4.68
6	Transport	6.50	-0.79	-0.02
7	IT/BPO	-3.47	-1.30	-2.18
8	Handloom/Powerloom	-4.00	-1.23	-0.63
Overall		**-2.11**	**-0.52**	**-1.29**

2.17 It may be seen from above table that the earnings of workers at overall level have declined by 1.3 per cent during April-June over March, 2009. The change in earnings is in the same direction as the change of employment; except in Metals, Gems & Jewellery and Handloom/Powerloom sector. The significant increase in average monthly earnings is in Gems & Jewellery sector (4.68 per cent) despite the fact that in percentage terms the maximum decline in employment is registered in the same sector (1.65 per cent). This may be due to the reason that the existing workers are paid overtime allowances.

GOVERNMENT OF INDIA ***ANNEXURE-I***

MINISTRY OF LABOUR & EMPLOYMENT

LABOUR BUREAU, CHANDIGARH

EMPLOYMENT SCENARIO: April–June 2009

I Identification Particulars

a) Zone-State

b) Name of the District/Centre

c) Name of Unit

d) Complete Address of the Unit

e) DSL NO. (Original)

f) Name of the Person contacted

g) Status of the Unit (Orginal-1, Substitute-2)

h) Reasons for substitution
Unit closed before March, 2008-1,
Address not traceable-2, NA-9

i) If Substitute DSL NO. of Substitute

j) NIC code (3 – digit)

k) Type of goods Manufactured /Produced

l) Whether the unit is export oriented
Yes-1, No-2

II- Month wise number of Workers & Earnings

Month	Employment Status	Employees as on last working day	Total Wage/Salary Bill (In Rs.)
March , 09	Direct		
	Contract		
	Total		
April , 09	Direct		
	Contract		
	Total		
May , 09	Direct		
	Contract		
	Total		
June, 09	Direct		
	Contract		
	Total		